

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

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THE WHEAT SITUATION IN 1939 COMPARED WITH 1914

In planning the acreage to be seeded to wheat for harvest in 1940 the fundamental factors to be considered are: World supplies are of record size and considerably in excess of present or prospective world consumption; when the 1940 crop reaches market next year it is expected to encounter the competition of the largest carry-over on record; and war is unlikely to increase and may reduce the consumption of wheat.

World supplies largest on record -- 55 percent larger than in 1914.

World supplies of wheat are about 1,800 million bushels larger than in 1914, while world consumption is only about 900 million bushels larger. World wheat supplies^{/1} in 1914 were estimated at about 3.5 billion bushels compared with 5.3 billion bushels in 1939. Current supplies are expected to be about 1.4 billion bushels larger than the estimated prospective world disappearance for the year beginning July 1, 1939. The carry-over on July 1, 1940, on this basis, would be about 200 million bushels larger than the 1,200 million bushels on July 1, 1939, and the largest in the history of the world. Total annual world trade is only about 600 million bushels annually.

Table 1.--Estimated world supplies^{/1}, 1914 and 1939

Item	1914	1939
	Million bushels	Million bushels
Stocks, July 1.....	575	1,200
Production.....	2,884	4,130
Total supplies.....	3,459	5,330

World Production in 1940/1 may again exceed annual consumption.

A marked reduction in wheat acreage in Europe is not expected this year. Probable declines in the areas where military operations are in progress are likely to be at least partly offset by increases in neutral countries. It is not expected, therefore, that the world acreage in 1940 will be greatly different from the 287,000,000 acres this year. Such an acreage with average yields per acre would again result in a crop in excess of likely world consumption.

^{/1} All references to world production and stocks in this report exclude the U.S.S.R. and China.

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Wheat production in Western European countries averaged about 14 per cent lower in the 5 years beginning in 1914 than in the 5-year period beginning in 1909. However, the quantity used for food and feed in these same countries declined by almost the same percentage.

Domestic supplies in 1939 are only slightly smaller than the large supplies in 1914.

Wheat supplies in the United States are estimated at 985 million bushels compared with 997 million bushels in 1914. While annual domestic use has increased about 30 million bushels since 1914 the decline in exports has been much greater than the increase in domestic consumption. Domestic disappearance for the year beginning July 1, 1939, is forecast at about 690 million bushels. Deducting this from the estimated supply would leave 295 million bushels for export or carry-over. If net exports are as large as during the past 2 years when they averaged about 105 million bushels this would leave a carry-over on July 1, 1940, of 190 million bushels. With the exception of 1939 this would be the largest carry-over since 1934. It is probable that exports from the U. S. for the year beginning July 1, 1939 will not be as large as during the past 2 years, and the carry-over, accordingly, would be even larger than 190 million bushels.

Table 2.--Estimated United States Supplies, 1914 and 1939

Item	:	1914	1939
		<u>Million bushels</u>	<u>Million bushels</u>
Stocks, July 1.....	:	100	254
Production (August indications).....	:	897	731
Total supplies.....	:	997	985

United States production in 1940 expected to provide sizable exports.

In late August, seedings for the 1940 crop were expected to approximate the 66.9 million-acre average seeded in the 5-year period 1929-33, during which acreages changed but little and which is slightly above the 62 million acreage allotment of AAA. This national wheat acreage allotment is larger than the wheat acreage harvested in any of the years 1914 to 1918. Seedings for the 1939 crop were 64.6 million acres. Average yields (1919-38) of 11.74 bushels per seeded acre on an acreage of 67 million acres would produce a crop of 785 million bushels. This would be 100 million bushels more than the 10-year (1929-38) average domestic disappearance, and provide for exports of 100 million bushels without reducing the carry-over. If more than 67 million acres are seeded and average yields are obtained, the excess over average domestic disappearance would be correspondingly larger.

World wheat shipments in 1939-40/2 expected to be about unchanged from 1938-39.

World wheat shipments/2 for the year beginning July 1, 1939 are expected to be about the same as in the year just past, when they totalled about 600 million bushels. The world shipments were 556 million bushels in 1914; 575 million bushels in 1915; 526 million bushels in 1916; 378 million bushels in 1917; and 511 million bushels in 1918.

Net imports of wheat by the United Kingdom are expected to be about the same as in 1938, when they were 220 million bushels. For the 1914 and 1915 calendar years they were 213 and 187 million bushels, respectively. Net imports by France may not exceed 10 million bushels. Supplies of bread grains in Germany are large enough so that there will be no difficulty in meeting domestic needs, even though no imports are made. Supplies in Italy are also large and the new crop is expected to come close to meeting domestic needs.

The United States wheat crop in 1914 was the largest in the history of the country up to that time and the 1915 crop was even larger. On the other hand, very small crops were produced in competing countries (Canada and Australia) during this period and unusually large exports from the United States were possible. In 1939-40, however, large supplies, especially in Argentina and Canada point to continued keen competition for world markets. On August 1, 1939, Argentina had 144 million bushels of wheat available for export, and Canada had 102 million bushels. The new harvest is expected to provide an additional surplus for export of approximately 275 million bushels by Canada and approximately 160 million bushels by Argentina.

Table 3.--Imports of wheat from the United States, four countries in selected years.

Country	Year beginning July 1			
	1914	1915	1937	1938
	Million bushels	Million bushels	Million bushels	Million bushels
United Kingdom.....	85	68	23	31
Italy.....	48	36	1	1
France.....	60	35	1	1
Germany.....	3	0	0	0

Wheat prices in 1915 averaged slightly lower than in 1914.

Farm prices of wheat in the United States averaged 85 cents in August 1914, the month in which War was declared. In September they averaged 93 cents, 95 cents in October, 92 cents in November and 97 cents in December. This advance was only partly the result of the war, and partly a reflection of the very small crop in Canada in that year. Subsequently there was a crop failure in Australia. However, in spite of the higher general price level and the very large United States and Canadian crops, the 1915 domestic crop sold at prices slightly lower than the previous crop.

/2 All references to trade in this report include flour in terms of wheat.

Summary

In times such as these the movement of prices can not be foretold with any degree of accuracy. However, present supplies of wheat are excessively large and, with average yields, will be large a year from now. The situation is not similar to that during the latter part of the World War when we had small world supplies and high prices.

1. The present world supplies of wheat are the largest in history. They are about 55 percent larger than in 1914 and world consumption is only about 30 percent larger.

2. The wheat acreage allotments for 1940 are larger than the acreage harvested in any year from 1914 to 1918. There is little prospect of a reduction in world wheat acreage for harvest next year.

3. In 1914 there was a small crop of wheat in Canada and Australia. Wheat prices advanced during the fall and winter months, but declined prior to marketing of the 1915 crop. The average prices for the 1915 crop were slightly smaller than those received for the 1914 crop.

4. Wheat consumption in the warring nations declined from 1914 through the duration of the war. World shipments during this period also declined. There is little prospect of an increase in world shipments next year.

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